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# FARMERS' NEWSLETTER

## Feed



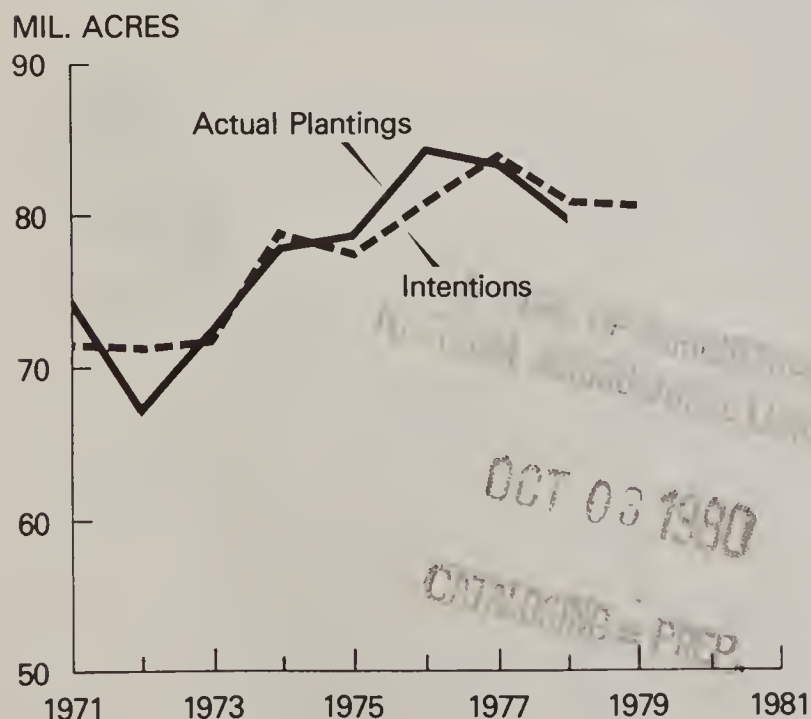
February 79/F-8

### 1979 Crop Prospects

A January 1 survey of farmers showed that prospective plantings of the four feed grains total 121 million acres, down 1 percent from actual acreage planted in 1978. Farmers indicated they'd plant 1 percent more land in corn, but 8 percent less in barley, 6 percent less in sorghum, and 4 percent less in oats.

If farmers carry out these intentions, another large crop could be in store if weather is favorable. Weather proved very good in 1978, and the U.S. average corn yield hit a record 101 bushels per acre. The corn crop and total feed grain production also reached new highs. It's anyone's guess what the weather will be like this growing season, but it would be unusual to have conditions as good as in 1978.

### JANUARY CORN INTENTIONS VS. ACTUAL PLANTINGS



### The 1979 Feed Grain Program

Sign-up is set for February 15 through April 30 at your county ASCS office. Certification periods for each crop will be announced later.

Most provisions of the 1979 program are similar to last year's. If you sign up and comply with set-aside requirements, you'll be eligible for deficiency payments if prices are below target levels. You'll also qualify for Government loans on your crops and disaster payments if natural causes prevent you from planting, or if your yield falls below 60 percent of the established yield for your farm.

You also would be eligible to put your grain in a farmer-owned reserve if one is offered for the 1979 crop, and receive payments for diverting corn and sorghum acreage above the required set-aside.

### Program Details

- Corn producers are offered a target price of \$2.20 a bushel, up from \$2.10 last year, for setting aside acreage equal to 10 percent of their 1979 corn plantings. In addition, producers may divert another 10 percent of their corn plantings and receive a diversion payment equal to \$1 a bushel on the normal production from their diverted acres.

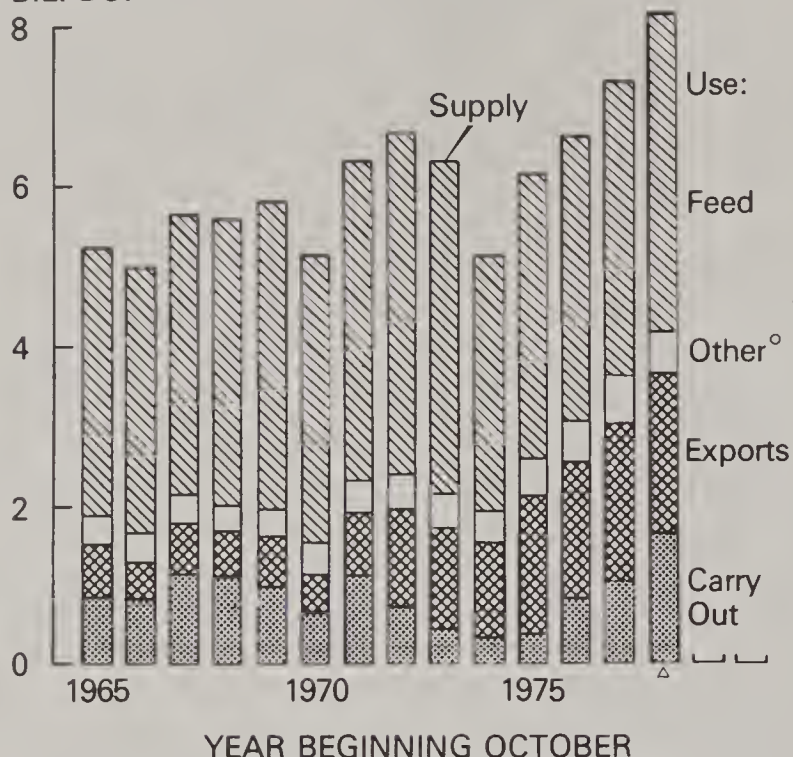
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PROCUREMENT SECTION  
Alphabetical Serial File

## CORN SUPPLY AND UTILIZATION

BIL. BU.



FIGURES FOR 1978/79 ARE ESTIMATES AND FORECASTS AS OF LATE JANUARY. SEE SUPPLY AND DEMAND TABLE. °INCLUDES CORN USED FOR FOOD, SEED, AND INDUSTRY.

- Sorghum producers are offered a target price of \$2.30 a bushel for setting aside 10 percent of their 1979 sorghum plantings. They may also divert an additional 10 percent of their plantings and receive a diversion payment of \$1 per bushel, the same as for corn.

- Participating barley producers are offered a \$2.40 per bushel target price for setting aside 20 percent of their 1979 plantings. There's no diversion payment for barley this year.

### Participate Or Not?

It's up to you whether or not to sign up for the 1979 feed grain program. Here are some pluses and minuses to consider:

- Enrollment in the set-aside program will guarantee target price protection on the normal production from the crop you plant.

- You'll be eligible for loans on your feed grain crops at interest rates lower than those on the current market.

- If you live in a high-risk production area, disaster features of the program can be important. Also, payments may be earned for prevented plantings or low yields.

- On the minus side, if prices turn higher than target levels, you could sacrifice some income because the acreage set aside reduces your total production.

### Your ASCS Office Will Help

For more information on set-aside, certification dates on each crop, and determining your farm's normal crop acreage (NCA) and program yield, contact your ASCS county office. There you can get other details on the 1979 feed grain program and how it applies to your farm.

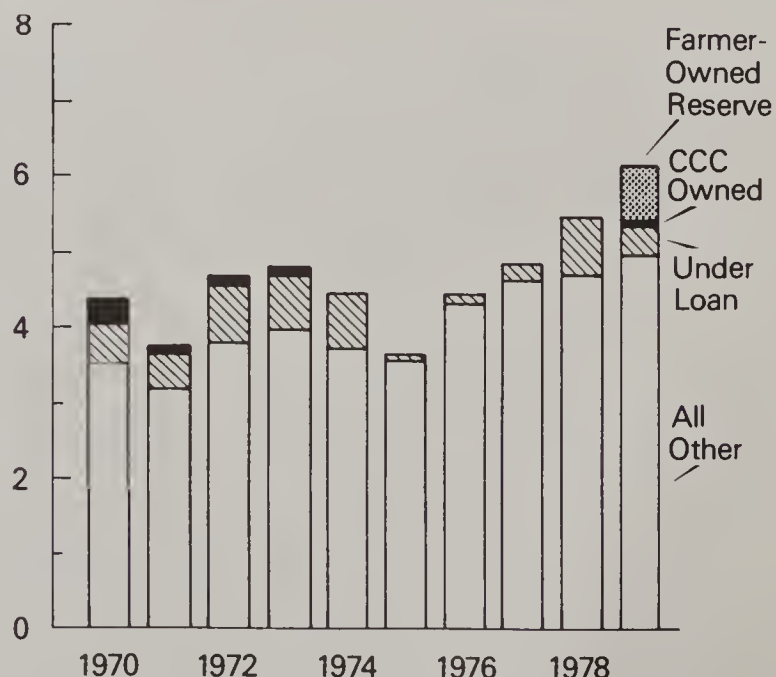
### Corn Vs. Soybeans

Should you shift acreage into corn or soybeans this year? Since no farm operation is exactly the same and corn and soybean yields can vary widely from farm to farm, there is no single answer that can apply to every producer.

However, USDA cost and return figures indicate that in recent years, soy-

### JANUARY 1 CORN STOCKS

BIL. BU.



beans grown in the Corn Belt have yielded greater net returns per acre than corn. This partly reflects the fact that soybean prices have held up better than corn prices. Despite large soybean crops, ending stocks have continued fairly low because unprecedented demand absorbed the increased supply.

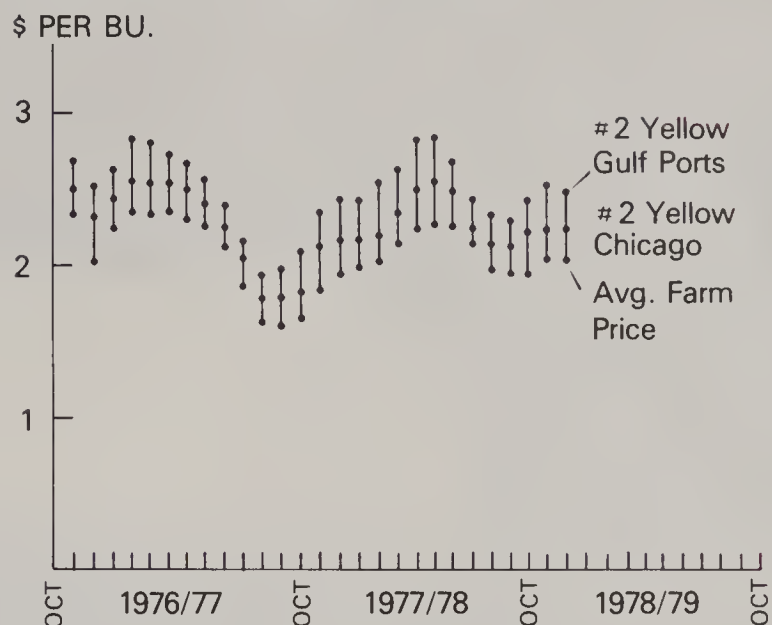
There's growing evidence that the U.S. feeding industry is increasing the protein in its formulas for better feeding efficiency. Last year, use of soybean meal jumped 16 percent, while use of feed grains rose only 4 percent. Also, with more hogs and broilers--major protein users--in prospect for 1979, U.S. meal use will be rising again.

#### CORN SUPPLY, USE, AND LOAN ACTIVITY

Item	October-September marketing year	
	1977/78	1978/79 <sup>1</sup>
	Million bushels	
Carryover, October 1 .....	884	1,104
Production .....	6,425	7,082
Imports .....	3	1
Total supply .....	7,312	8,187
Minus peak volume placed under loan, held in farmer-owned reserve and owned by CCC .....	1,220	1,300
"Free" supply .....	6,092	6,887
Domestic use:		
Fed to livestock and poultry .....	3,709	4,000
Food, alcohol, industry, and seed .....	551	575
Exports .....	1,948	1,950
Total use .....	6,208	6,525
Carryover, September 30:		
"Free" .....	453	662
Outstanding loans, reserve, and CCC ..	651	1,000
Total .....	1,104	1,662
Loans redeemed during marketing year ..	569	300
Farm price (dollars per bushel) .....	2.02	2.05-2.15

<sup>1</sup> Total supply preliminary; "free" supply, use, ending stocks, loan redemptions, and price estimated.

#### MONTHLY CORN PRICES



Brazil is the chief rival for U.S. soybeans. However, drought cut its 1978 harvest 18 percent. While the 1979 crop got off to a good start, lack of rain during January raised doubts about the size of the coming harvest--especially in Brazil's southern producing areas.

Keep your eye on how the Brazilian crop develops and on foreign and domestic demand for high-protein feeds. These will be key factors affecting the profitability of soybeans relative to corn in 1979.

#### The Near Term Outlook

USDA's feed grain outlook for the 1978/79 marketing year hasn't changed much from the last Feed Newsletter in November. With relatively low prices, many producers are holding at least part of their grain in hope of a market rally. Right now you may be trying to figure which way prices will head in the next few months. Some factors currently affecting the market:

- Beginning supplies this season were record large. Last season's carryout of old crop corn totaled 1.1 billion bushels, and record yields pushed the 1978 corn harvest to a record 7.1 billion bushels. On January 1, feed grain stocks stood at 190

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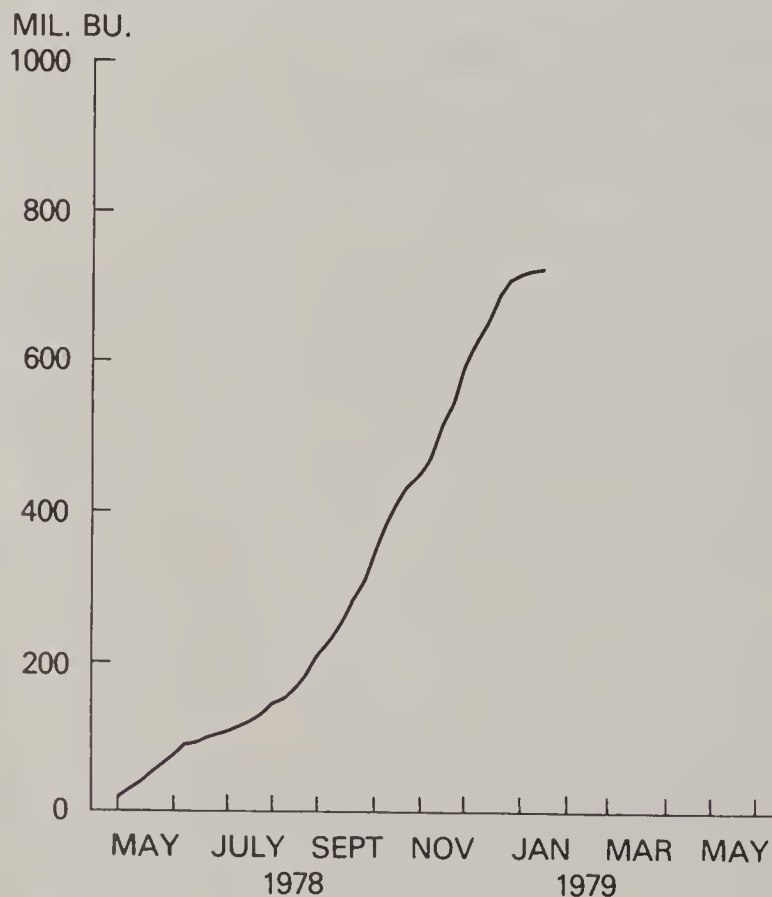
million metric tons, 11 percent over a year ago. Corn stocks were 6.2 billion bushels, up 13 percent.

- Domestic use of grains will increase around 8 percent in 1978/79, due mainly to stepped-up feeding of hogs and poultry.
- Feed grain exports may about match last season's record. The USSR will

buy less, but China is buying sizable amounts of U.S. corn for the first time in 5 years.

- Both domestic use and exports of feed grains climbed sharply during October-December. Nevertheless, total feed grain use will fall short of 1978 production. Thus, carryover at the start of the 1979/80 marketing year will rise again.

## CORN IN FARMER-OWNED GRAIN RESERVE



- The volume of grain neither under loan nor in the reserve (therefore currently available) matched against expected use will provide a major key to prices in coming months.

- For corn, that volume is up almost 700 million bushels from last year. Consequently, pressure may not be as great this summer for prices to reach loan redemption levels. It would take only about half of last year's redemptions to make enough corn stocks available for a comfortable "free" carryout on September 30.

These factors add up to prices that may strengthen some seasonally into planting time. However, with the large carryover stocks at the start of the 1979/80 marketing year almost a certainty, feed grain prices this summer probably will be fairly stable.